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SUBJECT: GORKONI FRUIT PROCESSING COMPANY: AFTER STALIN,
ANOTHER PRIDE OF GORI

11. Summary. The city of Gori in the Shida Kartli region of central Georgia prides itself on many things: the birthplace of Josef Stalin, the home town of current Georgian Defense Minister Irakli Okruashvili, and host to the country's top fruit processing factory. Econoff visited the Gorkoni fruit processing plant on October 3 at the invitation of a Ministry of Agriculture official. The plant has yet to realize its high potential, but with little domestic competition, the company is in no hurry. It relies on government purchases for a quarter of its revenues, and has developed export markets in Ukraine, Israel and Germany. End Summary.

Georgia's Orchard - Unrealized Potential

12. The Shida Kartli region of Georgia is traditionally known as "Georgia's Orchard" and supplied fresh produce to the Russian market during Soviet times. Recently imposed Russian sanctions and disruption of traditional trade links dictates reorientation to alternative markets and value-added production. The high potential for produce processing in the region remains unrealized, although Tornike Mgaloblishvili, a Ministry of Agriculture official, told us that a few factories are under construction and will open soon.

13. For now, Gorkoni, located in Gori, is the only food processing facility in the entire Shida Kartli region. It produces fruit and vegetable preserves, juices, jams, and sauces for domestic consumption and export. The company's bestseller is a Georgian plum sauce "Tkemali," produced in 12 varieties. Gorkoni's operations are seasonal and in the high season it has 200 employees. It purchases its inputs of produce from local farmers. As an employer in Gori, Gorkoni is unrivaled in size except perhaps by a new military hospital, which opened on the day of our visit.

14. The factory was privatized in 1994 and is 20 percent Russian-owned. Twenty-five percent of Gorkoni's output is for domestic consumption -- almost entirely in the form of government contracts to supply kindergartens and the military. The other 75 percent of production is exported to Israel, Ukraine, and Germany. Gorkoni has established contacts with Japanese and UK partners for future export

expansion. Despite its partly Russian ownership, Gorkoni has not targeted the Russian market, and has not felt any major ill effects because of Russia's ban on agriculture products.

¶5. Gorkoni's final product is tasty and visually appealing, but the factory and equipment is very outdated. The only new addition is a sterilization device, donated by the Ministry of Agriculture. The factory needs upgrading, especially to reach its potential, but it has an established brand name in Georgia and contacts abroad. Its management needs to work hard to attract investors and partners to renovate the factory and expand its market. Such value-added agricultural processing is one of the more promising sectors of the Georgian economy for foreign investors.

A Good Judge Makes a Good Businesswoman?

¶6. The company's director is a former judge who recently abandoned her judicial career at the request of government authorities to direct Gorkoni. (Note: It is likely that some of Gorkoni's shareholders are government officials who have a vested interest in its success.) Despite her dedication, the director lacks management education and experience. The company takes its government contracts for granted, and has done little to market its natural and organic products in domestic stores.

Gori's Golden Boy Okruashvili

¶7. Gori still respects Stalin's cult of personality, and it

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supports the idea of a strong leader. Not surprisingly, Gori and the Shida Kartli region is a stronghold of Defense Minister Irakli Okruashvili, who is from the region. Okruashvili's name in Georgian translates to "Golden Boy." When we asked Gorkoni's director her opinion about Okruashvili's promise to be in Tskhinvali for New Year's, her eyes sparkled and she confidently responded, "We believe in him! He will be there!"

¶8. Comment: Gori is one city in Georgia that can be assured a steady trickle of tourists because of the Stalin Museum and birthplace. Gorkoni's fruit processing factory is an example of the kind of business whose potential could be realized with the help of foreign investment in Georgia.

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